

Message Text

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PAGE 01 DOHA 00537 110918Z

21

ACTION NEA-09

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SUBJ: PROGRESS ON QATAR PETROCHEMICAL PLANT

REF: KUWAIT 2816 (7/6/74)

1. SUMMARY: MAY MEETING WITH QATAR PETROCHEMICAL COMPANY (QAPCO) GENERAL MANAGER PROVIDED OPPORTUNITY TO REVIEW STATUS OF PROPOSED PETROCHEMICAL PLANT THAT WILL BE CONSTRUCTED AT UMM SAID. AT LEAST FOUR US FIRMS INTERESTED IN DIFFERENT ASPECTS OF \$300 MILLION PLANT WHICH WILL PRODUCE ETHYLENE AND POLYETHYLENE. PLANT IS SCHEDULED TO BEGIN OPERATION LATE 1978, BUT GM NOTED THAT COMMISSIONING MAY BE DELAYED. END SUMMARY.

2. AS REPORTED REFTTEL, QAPCO IS JOINT VENTURE BETWEEN GOQ, WHICH HOLDS 80 PERCENT OF EQUITY, AND FRENCH FIRMS CDF CHEMIE (15 PERCENT) AND GAZ OCEN (5 PERCENT). CDF CHEMIE HAS RESPONSIBILITY FOR PLANT DESIGN, CONSTRUCTION SUPERVISION AND MANAGEMENT WHILE GAZ OCEAN WILL UNDERTAKE TRANSPORT AND MARKETING OF PRODUCTS. PLANT WILL PRODUCE 300,000 TONS PER YEAR (TPY)

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PAGE 02 DOHA 00537 110918Z

ETHYLENE OF WHICH 100,000 TPY WILL BE EXPORTED. THE REMAINDER

WILL BE PROCESSED ON SITE INTO 140,000 TPY LOW DENSITY POLYETHYLENE AND 50,000 TPY HIGH DENSITY POLYETHYLENE. GM SPECULATED THAT SOME LOCAL INDUSTRIES MIGHT BE CREATED TO MANUFACTURE FINISHED PRODUCTS FROM HIGH AND LOW DENSITY POLYETHYLENE, BUT SAID IN ANY EVENT BULK WOULD BE EXPORTED.

3. GM PROVIDED INFORMATION ON VARIOUS ASPECTS OF PROJECT INCLUDING APPROXIMATE COST AND NAMES OF FIRMS COMPETING FOR CONTRACTS. FOLLOWING IS BREAKDOWN:

(A) ETHYLENE PLANT - TOTAL COST IS ESTIMATED AT \$140 MILLION. SIX FIRMS HAVE SUBMITTED OFFERS, INCLUDING THREE US COMPANIES - STONE AND WEBSTER, LUMMUS AND KELLOGG. GM SAID THAT FIELD WILL BE NARROWED TO TWO FIRMS WHO WILL BE ASKED TO SUBMIT DETAILED ENGINEERING DESIGNS FOR PLANT ON FEE BASIS. DESIGNS WILL THEN BE EVALUATED AND FINAL SELECTION MADE. GM NOTED THAT HE CONSIDERS STONE AND WEBSTER AND LUMMUS TO BE MOST LIKELY CANDIDATES FOR INITIAL SELECTION. IN KEEPING WITH LONG STANDING GOQ PREFERENCES, PROJECT WILL NOT BE EXECUTED ON TURNKEY BASIS. COMPANY WILL BE GIVEN CONTRACT FOR DESIGN, PROCESS AND CONSTRUCTION SUPERVISION ONLY. CONSTRUCTION CONTRACT WILL BE AWARDED AT LATER DATE ON BASIS OF LIMITED INTERNATIONAL TENDER.

(B) LOW DENSITY POLYETHYLENE PLANT - VALUE APPROXIMATELY \$90 MILLION. ALTHOUGH SEVERAL FIRMS HAVE SUBMITTED PROPOSALS (NONE US), IT IS VIRTUALLY CERTAIN THAT CDF CHEMIE WILL USE ITS OWN PROCESS. GM STATED THAT CONSTRUCTION CONTRACTS FOR BOTH HIGH AND LOW DENSITY POLYETHYLENE PLANTS WILL NOT BE AWARDED ON BASIS OF INTERNATIONAL TENDER. POLYETHYLENE PROCESSES ARE CLOSELY GUARDED SECRETS AND COMPANIES HOLDING LICENSES TAKE CONSIDERABLE PRECAUTIONS TO AVOID INFORMATION LEAK THAT MIGHT REACH COMPETITORS. FIRMS THEREFORE HAVE AGREEMENTS WITH INDIVIDUAL CONTRACTORS AND ANY GIVEN FIRM WILL ALWAYS WORK WITH SAME CONTRACTOR ON PLANT FOR WHICH ITS PROCESS HAS BEEN SELECTED.

(C) HIGH DENSITY POLYETHYLENE PLANT - COST APPROXIMATELY \$50 MILLION. PROCESSES FROM THREE COMPANIES UNDER CONSIDERATION, ONE OF WHICH IS UNION CARBIDE. CONTRACTOR SELECTION WILL BE SAME AS DESCRIBED IN SUB PARA (B) ABOVE. LIMITED OFFICIAL USE

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PAGE 03 DOHA 00537 110918Z

4. GM SAID THAT CDF CHEMIE WAS ON SCHEDULE FOR PLANT DESIGN AND SELECTION OF COMPANIES, BUT NOTED THAT MEETING LATE 1978 TARGET COMPLETION DATE WOULD NOT RPT NOT BE ALL "ROSES AND SUNSHINE". ACCORDING GM, INITIAL PHASE OF CONSTRUCTION SUPPOSED TO BEGIN EARLY AUTUMN WILL ALMOST CERTAINLY BE DELAYED SINCE DREDGING IS BEHIND SCHEDULE. GM POINTED OUT THAT SITE IS STILL UNDER WATER AT HIGH TIDE. EVEN IF PETROCHEMICAL PLANT IS

COMPLETED ON TIME, RELIANCE ON OTHER PROJECTS WHICH STILL ON DRAWING BOARD FOR FEEDSTOCK AND POWER WOULD PROBABLY DELAY COMMISSIONING. FEEDSTOCK WILL BE ETHANE RICH GAS FRACTIONS PROVIDED BY RECENTLY COMPLETED NGL PLANT AT UMM SAID AND BY SECOND PLANT SCHEDULED TO COME ON STREAM IN 1978. POWER WILL COME FROM 480 MW STEAM TURBINE PLANT ALSO SCHEDULED FOR COMPLETION IN 1978. CONSULTANTS HAVE NOT YET COMPLETED SPECIFICATIONS AND GM SAID HE UNDERSTANDS THAT STEAM TURBINES HAVE TWO YEAR DELIVERY TIME. HE ADDED THAT HE WOULD BE SURPRISED IF ONE PROJECT WAS COMPLETED BY TIME PETROCHEMICAL PLANT IS READY AND ABSOLUTELY AMAZED IF BOTH ARE FUNCTIONING.

5. COMMENT: US FIRMS APPEAR TO BE IN GOOD POSITION TO SECURE CONTRACTS FOR INITIAL PHASE OF THIS MAJOR PROJECT. WILL ADVISE ON FURTHER DEVELOPMENTS. WE TEND TO SHARE GM'S RATHER GLOOMY VIEWS REGARDING ANTICIPATED COMPLETION DATE OF POWER PLANT. GOQ OFFICIALS CONCERNED WITH PROJECT HAVE ALSO EXPRESSED CONCERN ABOUT LIKELIHOOD OF COMPLETING PROJECT BEFORE END OF 1978.

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